

**VILLAGE OF LAKE ODESSA  
FINANCIAL STATEMENTS  
For the year ended February 29, 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Lake Odessa  
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Lake Odessa, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lake Odessa, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Village of Lake Odessa, Michigan, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2008, on our consideration of the Village of Lake Odessa, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Lake Odessa's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Lake Odessa, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
July 22, 2008

*Walker, Fluke & Sheldon, PLC*

## **Village of Lake Odessa Management Discussion and Analysis**

As the Village Council of the Village of Lake Odessa, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Village of Lake Odessa for the fiscal year ended February 29, 2008. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

### **Financial Highlights**

- The assets of Village of Lake Odessa exceeded its liabilities at the close of the most recent fiscal year by \$6,367,770 (net assets) compared to \$6,136,804 last year. Of this amount, \$1,148,344 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$230,966 compared to \$3,040,268 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,471,492, an increase of \$266,660 compared to an ending fund balance of \$1,204,832, an increase of \$267,504 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$713,066 or 111.74% of total general fund expenditures. Last year the unreserved fund balance for the general fund was \$575,246 or 82.90% of total general fund expenditures. The Village is in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

### **Overview of the Financial Statements**

The Village of Lake Odessa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 7-8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Lake Odessa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: government funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end

of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Lake Odessa maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets, Local Streets and Road Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-11 of this report.

**Proprietary funds.** The Village maintains one proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for the Water Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, of which is considered to be a major fund of the Village. The proprietary fund financial statements can be found on pages 12-14 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are available to support the Village's own programs. The fiduciary fund financial statement can be found on page 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16-27 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Village adopts an annual budget for its general fund, major street fund and local street fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 28-31 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 32-35.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Lake Odessa, assets exceeded liabilities by \$6,367,770 at the close of the most recent fiscal year.

\$1,148,344 of the Village's net assets (18.03 percent) reflects its unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net assets (7.72 percent) reflects restricted net assets (\$491,573), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net assets (74.25 percent) reflects its investment in capital assets (\$4,727,853) (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

# Village of Lake Odessa's Condensed Financial Data

	<b>Governmental</b>		<b>Business-Type</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current and Other Assets	\$ 1,556,118	\$ 1,411,432	\$ 175,087	\$ 371,486
Capital Assets	2,776,026	2,895,900	3,461,740	3,488,375
<b>Total Assets</b>	<b>4,332,144</b>	<b>4,307,332</b>	<b>3,636,827</b>	<b>3,859,861</b>
Short-Term Liabilities	110,501	229,005	20,137	306,076
Long-Term Liabilities	1,042,281	1,054,654	428,282	440,654
<b>Total Liabilities</b>	<b>1,152,782</b>	<b>1,283,659</b>	<b>448,419</b>	<b>746,730</b>
<b>Net Assets</b>				
Invested in Capital Assets,				
Net of Related Debt	1,707,870	1,818,841	3,019,983	2,964,787
Restricted	491,573	382,773	-	-
Unrestricted	979,919	822,059	168,425	148,344
<b>Total Net Assets</b>	<b>\$ 3,179,362</b>	<b>\$ 3,023,673</b>	<b>\$ 3,188,408</b>	<b>\$ 3,113,131</b>
<b>Program Revenues</b>				
Charges for Services	\$ 34,712	\$ 23,921	\$ 505,160	\$ 424,137
Operating Grants and Contributions	162,606	157,696	-	-
Capital Grants and Contributions	34,773	1,487,687	-	1,281,691
<b>General Revenues</b>				
Property Taxes	694,635	669,679	-	-
Licenses and Permits	-	8,850	-	-
State Grants	232,879	239,048	26,579	-
Investment Income	37,116	49,349	8,731	8,040
Other	4,548	10,150	-	-
Gain on Disposal of Fixed Assets	-	2,001	-	-
<b>Total Revenues</b>	<b>1,201,269</b>	<b>2,648,381</b>	<b>540,470</b>	<b>1,713,868</b>
<b>Program Expenses</b>				
<b>Governmental Activities</b>				
Governing Body	23,610	28,661	-	-
General Government	175,319	166,098	-	-
Public Safety	346,323	332,089	-	-
Public Works	409,437	330,476	-	-
Recreational and Cultural	41,596	46,329	-	-
Interest and fiscal charges	49,295	34,229	-	-
Other	-	-	-	-
<b>Business-Type Activities</b>				
Water	-	-	441,122	363,830
Interest and fiscal charges	-	-	24,071	20,269
<b>Total Expenses</b>	<b>1,045,580</b>	<b>937,882</b>	<b>465,193</b>	<b>384,099</b>
Change in Net Assets	\$ 155,689	\$ 1,710,499	\$ 75,277	\$ 1,329,769

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

**Governmental activities.** Governmental activities increased the Village's net assets by \$155,689 mainly due to stable revenues, minimal expenditure increases and controlled responsible spending by the Village Council.

**Business-Type activities.** Business-type activities increased the Village's net assets by \$75,277 mainly due to the increase in water rates.

## Financial Analysis of the Village's Funds

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,471,492, an increase of \$266,660. Last year, the Village's governmental funds combined ending fund balance was \$1,204,832, which was an increase of \$267,504.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$713,066 and the total fund balance was \$780,007. Unreserved fund balance represents 111.74% of the total general fund expenditures.

The fund balance of the Village's general fund increased by \$139,039 during the current fiscal year, mainly due to increases in revenue and controlled spending by the council.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the Village's water fund reported unrestricted net assets of \$168,425. The Water Fund had an increase in net assets of \$75,277.

#### **General Fund Budgetary Highlights**

There were no changes between the original and amended budget for revenues and only minor changes between the original and amended budget for expenditures.

During the year, however, revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates.

#### **Capital Assets**

The Village's investment in capital assets for its governmental activities as of February 29, 2008, amounts to \$2,776,026 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included sidewalk replacement. Details of the Village's capital assets are continued in the notes to the financial statements on pages 23 and 24.

#### **Long-Term Debt**

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$1,450,000 and general obligation debt of \$59,913. The Village's debt represents bonds secured by specified revenue sources, equipment and compensated absences, respectively.

#### **The Village's Outstanding Debt General Obligation and Revenue Bonds**

	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Primary Government:						
Revenue Bonds	\$ 1,032,000	\$ 1,032,000	\$ 418,000	\$ 488,000	\$ 1,450,000	\$ 1,520,000
Compensated Absences	12,400	9,471	-	-	12,400	9,471
Equipment Note	<u>23,756</u>	<u>35,588</u>	<u>23,757</u>	<u>35,588</u>	<u>47,513</u>	<u>71,176</u>
Total	<u>\$ 1,068,156</u>	<u>\$ 1,077,059</u>	<u>\$ 441,757</u>	<u>\$ 523,588</u>	<u>\$ 1,509,913</u>	<u>\$ 1,600,647</u>

The Village's debt decreased by \$90,734 during the current fiscal year. The decrease was mainly attributable to the retirement of one bond and payments made on an equipment loan.

Additional information on the Village's long-term debt can be found on pages 25-26 of the notes to the financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

All indications from the legislature regarding revenue sharing for the coming year remain optimistic and should either be increased or remain the same. The Village's millage rate remains the same. The taxable value will increase, thus bringing in more tax revenue. The Village did not take on any new major road projects for Fiscal year ending February 29, 2008, however the Village has a major street improvement project planned to begin in the spring of 2009. The project consists of a major infrastructure and street improvement project for Lakeview Drive from Pineview to Fourth Avenue and Sixth Avenue from Lakeview Drive to M-50 (Jordan Lake Street). The project will include a major water improvement replacing in some places a 2" water main with an 8" main that will help make a service "loop" that will give the water system a redundant "back-up" and will likely again improve the Village "I.S.O." rating with the next review. In addition the plans call for sewer improvements with participation from Lake Wood Wastewater Authority including an added force-main and other pump station upgrades. Not only will this improve the efficiency and reliability of the system, but also provide ability for the system to accept additional request for service from the yet to be developed vacant property to the west of Sixth Avenue.

The Village has been successful in obtaining over \$300,000 in funding from M.S.H.D.A. under the "Rental Rehabilitation Program" that will make it possible for participating apartment owners to remodel, and in some cases construct apartments in existing business buildings in the downtown. The grant will pay up to \$25,000 for existing apartment renovation and up to \$35,000 where there are no existing apartments or has not been occupied within the last five years. The Village has no financial commitment or match monies to this program, including the fact that the grant is administered by a third party, paid by grant dollars.

The Village has continued on with the façade improvement program where phase II is being completed and work on phase III will begin within the next several weeks.

### **Requests for Information**

This financial report is designed to provide a general overview of Village of Lake Odessa's finances for all those with an interest in the village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Village Manager/Finance Director), Village of Lake Odessa, 839 Fourth Ave, Lake Odessa, MI 48849. 616-374-7110.



**VILLAGE OF LAKE ODESSA**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
February 29, 2008

<b>ASSETS</b>	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
Cash and Cash Equivalents	\$ 453,753	\$ 157,916	\$ 611,669	\$ 29,986
Investments	131,963	229,265	361,228	-
Receivables (Net)				
Taxes - Delinquent	35,287	-	35,287	-
Accounts	-	71,106	71,106	-
Other	34,061	-	34,061	70,835
Due From State	72,232	-	72,232	-
Due From Other Funds	54,049	-	54,049	-
Internal Balances	283,200	(283,200)	-	-
Restricted Assets	491,573	-	491,573	-
Capital Assets (Net of Accumulated Depreciation)	<u>2,776,026</u>	<u>3,461,740</u>	<u>6,237,766</u>	<u>-</u>
Total Assets	<u>4,332,144</u>	<u>3,636,827</u>	<u>7,968,971</u>	<u>100,821</u>
<b>LIABILITIES</b>				
Accounts Payable	14,599	-	14,599	192,370
Accrued Liabilities	15,978	6,662	22,640	-
Due to Other Funds	54,049	-	54,049	-
Noncurrent Liabilities				
Due Within One Year	25,875	13,475	39,350	-
Due In More Than One Year	<u>1,042,281</u>	<u>428,282</u>	<u>1,470,563</u>	<u>-</u>
Total Liabilities	<u>1,152,782</u>	<u>448,419</u>	<u>1,601,201</u>	<u>192,370</u>
<b>NET ASSETS</b>				
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,707,870	3,019,983	4,727,853	-
Restricted for Roads	491,573	-	491,573	-
Unrestricted	<u>979,919</u>	<u>168,425</u>	<u>1,148,344</u>	<u>(91,549)</u>
Total Net Assets	<u>\$ 3,179,362</u>	<u>\$ 3,188,408</u>	<u>\$ 6,367,770</u>	<u>\$ (91,549)</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Year Ended February 29, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Downtown Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
Governmental Activities								
Governing Body	\$ 23,610	\$ -	\$ -	\$ -	\$ (23,610)	\$ -	\$ (23,610)	
General Government	175,319	16,693	-	-	(158,626)	-	(158,626)	
Public Safety	346,323	11,102	-	-	(335,221)	-	(335,221)	
Public Works	409,437	1,203	162,606	34,773	(210,855)	-	(210,855)	
Recreational and Cultural	41,596	5,714	-	-	(35,882)	-	(35,882)	
Interest and Fiscal Charges	49,295	-	-	-	(49,295)	-	(49,295)	
Total Governmental Activities	<u>1,045,580</u>	<u>34,712</u>	<u>162,606</u>	<u>34,773</u>	<u>(813,489)</u>	<u>-</u>	<u>(813,489)</u>	
Business-Type Activities								
Water	441,122	505,160	-	26,579	-	90,617	90,617	
Interest and Fiscal Charges	24,071	-	-	-	-	(24,071)	(24,071)	
Total Business-Type Activities	<u>465,193</u>	<u>505,160</u>	<u>-</u>	<u>26,579</u>	<u>-</u>	<u>66,546</u>	<u>66,546</u>	
Total Primary Government	<u>\$ 1,510,773</u>	<u>\$ 539,872</u>	<u>\$ 162,606</u>	<u>\$ 61,352</u>	<u>(813,489)</u>	<u>66,546</u>	<u>(746,943)</u>	
<b>Component Unit</b>								
Downtown Development Authority	\$ 326,250	\$ 25,045	\$ -	\$ 196,355				\$ (104,850)
Interest and Fiscal Charges	<u>3,615</u>	<u>-</u>	<u>-</u>	<u>-</u>				<u>(3,615)</u>
Total Component Unit	<u>\$ 329,865</u>	<u>\$ 25,045</u>	<u>\$ -</u>	<u>\$ 196,355</u>				<u>(108,465)</u>
<b>General Revenues</b>								
Taxes and Penalties					694,635	-	694,635	10,097
State Grants					232,879	-	232,879	-
Investment Income					37,116	8,731	45,847	546
Other					<u>4,548</u>	<u>-</u>	<u>4,548</u>	<u>1,500</u>
Total General Revenue					969,178	8,731	977,909	12,143
Change in Net Assets					155,689	75,277	230,966	(96,322)
Net Assets-Beginning					<u>3,023,673</u>	<u>3,113,131</u>	<u>6,136,804</u>	<u>4,773</u>
Net Assets-Ending					<u>\$ 3,179,362</u>	<u>\$ 3,188,408</u>	<u>\$ 6,367,770</u>	<u>\$ (91,549)</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**February 29, 2008**

		<b>Major</b>	<b>Local</b>	<b>Road</b>	<b>Total</b>
<b>ASSETS</b>	<b>General</b>	<b>Streets</b>	<b>Streets</b>	<b>Fund</b>	<b>Governmental</b>
					<b>Funds</b>
Cash and Cash Equivalents	\$ 392,323	\$ 37,702	\$ 23,728	\$ 309,383	\$ 763,136
Investments	45,612	86,351	-	182,190	314,153
Receivables					
Taxes	24,367	-	-	10,920	35,287
Other	6,600	20,456	7,005	-	34,061
Due From State	72,232	-	-	-	72,232
Due From Other Funds	<u>253,523</u>	<u>19,277</u>	<u>11,477</u>	<u>52,972</u>	<u>337,249</u>
Total Assets	<u>\$ 794,657</u>	<u>\$ 163,786</u>	<u>\$ 42,210</u>	<u>\$ 555,465</u>	<u>1,556,118</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 3,075	\$ -	\$ -	\$ 11,524	\$ 14,599
Accrued Liabilities	-	-	-	15,978	15,978
Due To Other Funds	<u>11,575</u>	<u>29,877</u>	<u>-</u>	<u>12,597</u>	<u>54,049</u>
Total Liabilities	<u>14,650</u>	<u>29,877</u>	<u>-</u>	<u>40,099</u>	<u>84,626</u>
<b>Fund Balances</b>					
Reserved	-	-	-	-	-
Designated	66,941	-	-	-	66,941
Unreserved-Undesignated	<u>713,066</u>	<u>133,909</u>	<u>42,210</u>	<u>515,366</u>	<u>1,404,551</u>
Total Fund Balances	<u>780,007</u>	<u>133,909</u>	<u>42,210</u>	<u>515,366</u>	<u>1,471,492</u>
Total Liabilities and Fund Balances	<u>\$ 794,657</u>	<u>\$ 163,786</u>	<u>\$ 42,210</u>	<u>\$ 555,465</u>	

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:**

Capital assets and amortized assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$3,746,414	
Less: Accumulated Depreciation	<u>970,388</u>	2,776,026

Long-term liabilities are not due and payable in the current period and are not reported in the funds

Bonds Payable	(1,032,000)	
Notes Payable	(23,756)	
Accumulated Vacation and Sick Leave	<u>(12,400)</u>	(1,068,156)

Net Assets of Governmental Activities	<u>\$ 3,179,362</u>
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The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA**  
**GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended February 29, 2008**

	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Road Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes and Penalties	\$ 480,719	\$ -	\$ -	\$ 213,916	\$ 694,635
Licenses and Permits	7,817	-	-	-	7,817
State Grants	232,879	122,455	38,999	-	394,333
Fines and Forfeitures	2,574	-	-	-	2,574
Interest and Rentals	25,857	3,499	169	9,141	38,666
Other Revenue	<u>27,319</u>	<u>-</u>	<u>-</u>	<u>35,925</u>	<u>63,244</u>
<b>Total Revenues</b>	<u>777,165</u>	<u>125,954</u>	<u>39,168</u>	<u>258,982</u>	<u>1,201,269</u>
<b>Expenditures</b>					
<b>Current</b>					
Governing Body	23,610	-	-	-	23,610
General Government	166,158	-	-	-	166,158
Public Safety	337,683	-	-	-	337,683
Public Works	57,765	90,647	79,447	45,603	273,462
Recreation and Cultural	39,942	-	-	-	39,942
<b>Debt Service</b>					
Principal	11,832	-	-	-	11,832
Interest	1,136	-	-	48,159	49,295
<b>Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,627</u>	<u>32,627</u>
<b>Total Expenditures</b>	<u>638,126</u>	<u>90,647</u>	<u>79,447</u>	<u>126,389</u>	<u>934,609</u>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>139,039</u>	<u>35,307</u>	<u>(40,279)</u>	<u>132,593</u>	<u>266,660</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In (Out)	<u>-</u>	<u>(47,355)</u>	<u>47,355</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(47,355)</u>	<u>47,355</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>139,039</u>	<u>(12,048)</u>	<u>7,076</u>	<u>132,593</u>	<u>266,660</u>
<b>Fund Balance-March 1, 2007</b>	<u>640,968</u>	<u>145,957</u>	<u>35,134</u>	<u>382,773</u>	<u>1,204,832</u>
<b>Fund Balance-February 29, 2008</b>	<u>\$ 780,007</u>	<u>\$ 133,909</u>	<u>\$ 42,210</u>	<u>\$ 515,366</u>	<u>\$ 1,471,492</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**For the Year Ended February 29, 2008**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 266,660</b>
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(2,929)
Repayment of note payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt)		11,832
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditures for capital assets	32,627	
Less: Current year depreciation	150,594	
Less: Current year amortization	<u>1,907</u>	<u>(119,874)</u>
<b>Change in Net Assets of Governmental Funds Activities</b>		<b><u>\$ 155,689</u></b>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA**  
**PROPRIETARY FUNDS STATEMENT OF NET ASSETS**  
**February 29, 2008**

	<b>Enterprise Fund Water System</b>	<b>Total</b>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 157,916	\$ 157,916
Investments	229,265	229,265
Receivables (Net)		
Accounts	71,106	71,106
Capital Assets (Net of Accumulated Depreciation)	<u>3,461,740</u>	<u>3,461,740</u>
<b>Total Assets</b>	<b><u>\$ 3,920,027</u></b>	<b><u>\$ 3,920,027</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Accrued Liabilities	\$ 6,662	\$ 6,662
Due to Other Funds	283,200	283,200
Notes Payable	23,757	23,757
Bonds Payable	<u>418,000</u>	<u>418,000</u>
<b>Total Liabilities</b>	<b><u>731,619</u></b>	<b><u>731,619</u></b>
Net Assets		
Net Assets		
Investment in Capital Assets, Net of Related Debt	3,019,983	3,019,983
Restricted	-	-
Unrestricted	<u>168,425</u>	<u>168,425</u>
<b>Total Net Assets</b>	<b><u>3,188,408</u></b>	<b><u>3,188,408</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,920,027</u></b>	<b><u>\$ 3,920,027</u></b>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA**  
**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended February 29, 2008**

	<u>Enterprise Fund Water System</u>	<u>Total</u>
Operating Revenues		
Charges for Services	\$ 498,566	\$ 498,566
Other Operating Revenue	<u>6,594</u>	<u>6,594</u>
Total Operating Revenues	<u>505,160</u>	<u>505,160</u>
Operating Expenses		
Administration	46,062	46,062
Salaries and Fringe Benefits	201,840	201,840
Supplies	11,163	11,163
Contractual Services	11,401	11,401
Repairs and Maintenance	20,140	20,140
Gasoline	3,311	3,311
Depreciation	87,182	87,182
Dues and Memberships	1,742	1,742
Communication	3,713	3,713
Utilities	47,662	47,662
Education and Training	96	96
Meals & Mileage	91	91
Insurance and Bonds	5,091	5,091
Water Testing	<u>1,628</u>	<u>1,628</u>
Total Operating Expenses	<u>441,122</u>	<u>441,122</u>
Operating Income	<u>64,038</u>	<u>64,038</u>
Nonoperating Revenues (Expenses)		
Interest Earned on Investments	8,731	8,731
Interest Expense	<u>(24,071)</u>	<u>(24,071)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,340)</u>	<u>(15,340)</u>
Income (Loss) Before Contributions and Transfers (Out)	48,698	48,698
Capital Contributions	<u>26,579</u>	<u>26,579</u>
Change in Net Assets	75,277	75,277
Net Assets-March 1, 2007	<u>3,113,131</u>	<u>3,113,131</u>
Net Assets-February 29, 2008	<u>\$ 3,188,408</u>	<u>\$ 3,188,408</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA**  
**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS**  
**For the Year Ended February 29, 2008**

	<u>Enterprise Fund Water System</u>	<u>Total</u>
Cash Flows From Operating Activities:		
Cash Charges for Services	\$ 489,510	\$ 489,510
Other Operating Revenue	6,594	6,594
Administrative Costs	(46,062)	(46,062)
Cash Payments to Employees for Services	(202,792)	(202,792)
Cash Payments to Suppliers for Goods and Services	<u>(106,038)</u>	<u>(106,038)</u>
Net Cash Provided by Operating Activities	<u>141,212</u>	<u>141,212</u>
Cash Flows From Capital and Related Financing Activities:		
Payment of Principal	(81,831)	(81,831)
Payment of Interest	<u>(24,071)</u>	<u>(24,071)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(105,902)</u>	<u>(105,902)</u>
Cash Flows From Investing Activities:		
Interest Earned on Cash Equivalents and Investments	8,731	8,731
Purchase of Fixed Assets	(19,161)	(19,161)
Contributed Capital	<u>26,579</u>	<u>26,579</u>
Net Cash Provided (Used) by Investing Activities	<u>16,149</u>	<u>16,149</u>
Net Increase in Cash and Cash Equivalents	51,459	51,459
Cash and Cash Equivalents at Beginning of the Year (Including \$218,357 in investments)	<u>335,722</u>	<u>335,722</u>
Cash and Cash Equivalents at End of the Year (Including \$229,265 in investments)	<u>\$ 387,181</u>	<u>\$ 387,181</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 64,038	\$ 64,038
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	87,182	87,182
Decrease (Increase) in Receivables	(9,056)	(9,056)
Increase (Decrease) in Accrued Liabilities	<u>(952)</u>	<u>(952)</u>
Net Cash Provided by Operating Activities	<u>\$ 141,212</u>	<u>\$ 141,212</u>

The Notes to Financial Statements are an integral part of this statement.



**VILLAGE OF LAKE ODESSA**  
**FIDUCIARY FUNDS STATEMENT OF NET ASSETS**  
**February 29, 2008**

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<b>ASSETS</b>	<b>Trust and Agency</b>
Current Assets	
Cash and Cash Equivalents	\$ -
Total Assets	\$ -
<b>LIABILITIES</b>	
Current Liabilities	
Due to Other Units of Government	\$ -
Total Liabilities	\$ -

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Lake Odessa conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Lake Odessa:

**REPORTING ENTITY**

The Village operates under an elected council of seven members and provides services to its residents in many areas including police protection, maintenance of Village Streets and other property, water and general Village administration. Education services are provided to citizens through several local school districts, which are separate governmental entities. Fire and ambulance services are provided by outside independently owned entities. The Village is assessed for its respective share of the expenditures.

**DISCRETELY PRESENTED COMPONENT UNIT**

**Downtown Development Authority**

The downtown development authority was created to correct and prevent deterioration in the downtown district, to encourage historical preservation, and to promote economic growth within the downtown district. The members of the governing board of the downtown development authority are appointed by the Village Council. The Village has the ability to significantly influence operations of the downtown development authority.

Complete financial statements for the component unit are not separately reported.

**JOINT VENTURES**

**Fire Department**

The Village, together with the Odessa Township, has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the Lake Odessa Fire Department. The Lake Odessa Fire Department operates under an appointed board of five members. Lake Odessa Fire Department receives 55% of its operating budget from Odessa Township and the remaining 45% from the Village of Lake Odessa. All pre-existing property used by the Fire Department that is titled in the name of Odessa Township or Village of Lake Odessa will remain the property of such entity.

Odessa Township's share of the cost of fire protection for the year ended February 29, 2008 totaled \$36,405.

The following information summarizes the activity of the joint venture through March 31, 2008, the most recent audited financial statements available.

Total Assets	\$ 111,541	Total Revenues	\$ 83,051
Total Liabilities	\$ -	Total Expenditures	\$ 98,274
Total Net Assets	\$ 111,541	Increase (Decrease) in Net Assets	\$ (15,223)
Total Joint Venture Outstanding Debt	\$ -		

Complete financial statements for Lake Odessa Fire Department can be obtained from:

Lisa Williams  
3862 Laurel Rd  
Lake Odessa, MI 48849

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when cash is received by the Village.

**Taxes Receivable** - The Village property tax is levied on each July 1<sup>st</sup> based on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>.

It is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(Continued)**

Taxes Receivable (Continued) - The 2007 State taxable valuation of the Village totaled \$43,696,585 on which ad valorem taxes levied consisted of 10.9027 mills for Village operating purposes and 4.8862 mills for Village street operations, raising \$476,406 for operating and \$213,505 for street operations. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2007 taxes levied.

The Village reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Major Street Fund accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Road Fund accounts for the maintenance of the Township's roads. Revenues are primarily derived from property taxes.

The Village reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.

Additionally, the government reports the following fund types:

- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> based on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>. Taxes are payable through August 31<sup>st</sup>, and at that time, all unpaid taxes are deemed delinquent and turned over to Ionia County. Ionia County remits payment to the Village of Lake Odessa on all delinquent property taxes.

The DDA has Accounts Receivable which represent funds owed by villager merchants for expenditures related to the façade improvement project. These accounts will be collected over the next twelve years.

Restricted Assets - The Village has restricted assets for roads. By restricting a portion of the net assets for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than roads.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

General Assets

Buildings and Improvements	30 to 50 years
Land Improvements	20 years
Equipment	5 to 15 years
Data Processing Equipment	5 years
Furniture	10 years

Infrastructure Assets

Road	8 to 30 years
Bridges	12 to 50 years
Sidewalks	10 to 30 years
Drains, Curbs, Gutters	8 to 40 years

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Compensated Absences (Vacation and Sick Leave) - Village employees earn from 10-25 vacation days a year. The amount of vacation pay earned is determined according to the length of their employment. Vacation time not taken or paid in lieu of prior to March 1<sup>st</sup> each year or it is forfeited. Upon termination, all unearned and unused vacation pay is paid at current wage rates.

Sick leave benefits are earned by hourly employees at a rate of 1.85 hours per pay period of service worked. Upon voluntary termination, with eight years of service with the employer and upon submitting written notice at least two weeks prior to termination, the employee shall be paid for 50% of documented accrued sick leave, not to exceed 20 days, at the current wage rate. Employees that are involuntarily discharged are not eligible for payment of unused sick days. Salaried and hourly employees can carry forward 30 days for use in a subsequent year.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Village does not have any reservations.

Designated Fund Balances - The Village has designated fund balances for equipment purchases, arts commission, and community projects. By designating a portion of fund balance for a specific purpose, the Village Council has established a policy that the amounts designated are to be used for a specific purpose. The Village Council can change the amounts so designated if they desire.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Budgets are adopted for general and special revenue funds, which are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The village manager submits to the village council a proposed annual budget prior to February 29. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended February 29, 2008, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<b><u>FUND</u></b>	<b><u>BUDGET APPROPRIATION</u></b>	<b><u>ACTUAL EXPENDITURE</u></b>	<b><u>BUDGET VARIANCE</u></b>
General			
General Government:			
Finance Director	\$ 38,057	\$ 38,072	\$ 15
Buildings and Grounds	\$ 35,775	\$ 37,023	\$ 1,248
Public Works:			
Street Lighting	\$ 24,000	\$ 24,223	\$ 223
Major Streets			
Street Routine Maintenance	\$ 39,775	\$ 40,382	\$ 607
Street Winter Maintenance	\$ 11,400	\$ 36,416	\$ 25,016
Operating Transfers Out	\$ 46,250	\$ 47,355	\$ 1,105
Local Streets			
Street Winter Maintenance	\$ 11,500	\$ 17,529	\$ 6,029

**NET ASSET DEFICITS**

The Downtown Development Authority, which is a component unit of the Village, has a net asset deficit. The deficit arose due to loan advances for expenditures related to façade improvements in the downtown district. The Development Authority expects to pay back the loan over the next 20 years with revenue generated by tax increments that are remitted to the Development Authority.

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Lake Odessa.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated four banks, one savings bank and one credit union for the deposit of the Village of Lake Odessa funds.

The Village's deposits and investments are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>	<b><u>COMPONENT UNIT</u></b>
Cash and Cash Equivalents	\$ 453,753	\$ 157,916	\$ 611,669	\$ 29,986
Investments	113,963	229,265	343,228	-
Restricted Assets	<u>491,573</u>	<u>-</u>	<u>491,573</u>	<u>-</u>
Total	<u>\$ 1,059,289</u>	<u>\$ 387,181</u>	<u>\$ 1,446,470</u>	<u>\$ 29,986</u>

The breakdown between deposits and investments is as follows:

	<b><u>PRIMARY GOVERNMENT</u></b>	<b><u>COMPONENT UNIT</u></b>
Bank Deposits	\$ 1,464,190	\$ 29,986
(Checking and Savings Accounts, Certificates of Deposit)		
Investment in Securities	-	-
(Mutual Funds and Similar Vehicles)		
Petty Cash and Cash on Hand	<u>280</u>	<u>-</u>
Total	<u>\$ 1,464,470</u>	<u>\$ 29,986</u>

Custodial credit risk is the risk that the Village will not be able to recover its deposits in the event of financial institution failure. The Village's deposits are exposed to custodial credit risk if they are not covered by federal depository or securities investor insurance and are uncollateralized. At February 29, 2008, the Village had deposits with a carrying amount of \$1,464,190 and a bank balance of \$1,480,051. Of the bank balance, \$606,433 is covered by federal depository insurance, \$873,618 is uninsured and \$0 is collateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of the FDIC and SIPC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.



**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated/Amortized				
Land	\$ -	\$ -	\$ -	\$ -
Subtotal	-	-	-	-
Capital Assets Being Depreciated/Amortized				
Buildings	469,792	-	-	469,792
Land Improvements	15,400	-	-	15,400
Equipment	470,842	-	-	470,842
Data Processing Equipment	36,731	-	-	36,731
Infrastructure	2,682,872	32,627	-	2,715,499
Amortized Assets	38,150	-	-	38,150
Subtotal	3,713,787	32,627	-	3,746,414
Less Accumulated Depreciation/Amortization for				
Buildings	392,282	6,793	-	399,075
Land Improvements	1,122	655	-	1,777
Equipment	341,822	26,325	-	368,147
Data Processing Equipment	34,650	438	-	35,088
Infrastructure	46,739	116,383	-	163,122
Amortized Assets	1,272	1,907	-	3,179
Subtotal	817,887	152,501	-	970,388
Net Capital Assets Being Depreciated/Amortized	2,895,900	(119,874)	-	2,776,026
<b>Governmental Activities Total Capital Assets-Net of Depreciation/Amortization</b>	<b><u>\$ 2,895,900</u></b>	<b><u>\$ (119,874)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,776,026</u></b>

**VILLAGE OF LAKE ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2008**

**CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 2,150	\$ -	\$ -	\$ 2,150
Construction in Progress	<u>1,126,695</u>	<u>-</u>	<u>1,126,695</u>	<u>-</u>
Subtotal	<u>1,128,845</u>	<u>-</u>	<u>1,126,695</u>	<u>2,150</u>
Capital Assets Being Depreciated/Amortized				
Buildings	2,823,210	1,185,505	-	4,008,715
Land Improvements	-	1,737	-	1,737
Office Equipment	17,544	-	-	17,544
Equipment	164,756	-	-	164,756
Amortized Assets	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>5,500</u>
Subtotal	<u>3,011,010</u>	<u>1,187,242</u>	<u>-</u>	<u>4,198,252</u>
Less Accumulated Depreciation/Amortization for				
Buildings	539,658	72,335	-	611,993
Land Improvements	-	58	-	58
Office Equipment	17,544	-	-	17,544
Equipment	94,095	14,514	-	108,609
Amortized Assets	<u>183</u>	<u>275</u>	<u>-</u>	<u>458</u>
Subtotal	<u>651,480</u>	<u>87,182</u>	<u>-</u>	<u>738,662</u>
Net Capital Assets Being Depreciated/Amortized	<u>2,359,530</u>	<u>1,100,060</u>	<u>-</u>	<u>3,459,590</u>
<b>Business-Type Activities Total</b>				
Capital Assets-Net of Depreciation/Amortization	<u>\$ 3,488,375</u>	<u>\$ 1,100,060</u>	<u>\$ 1,126,695</u>	<u>\$ 3,461,740</u>

Depreciation/Amortization expense was charged to programs of the Village as follows:

<b>Governmental Activities</b>	
General Government	\$ 6,232
Public Safety	8,640
Public Works	135,975
Recreation and Cultural	<u>1,654</u>
Total Government Activities	<u>\$ 152,501</u>
<b>Business-Type Activities</b>	
Water	<u>\$ 87,182</u>
Total Business-Type Activities	<u>\$ 87,182</u>

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

**INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>FUND</u>	<u>RECEIVABLES</u>	<u>FUND</u>	<u>PAYABLES</u>
General	\$ 253,523	General	\$ 11,575
Major Streets	19,277	Major Street	29,877
Local Streets	11,477	Road	12,597
Road	<u>52,972</u>	Water System	<u>283,200</u>
	<u>\$ 337,249</u>		<u>\$ 337,249</u>
<u>FUND</u>	<u>TRANSFERS IN</u>	<u>FUND</u>	<u>TRANSFERS OUT</u>
Local Streets	\$ <u>47,355</u>	Major Streets	\$ <u>47,355</u>
	<u>\$ 47,355</u>		<u>\$ 47,355</u>

The interfund receivables and payables represent money owed to the funds for expenses paid by other funds for various expenses. Transfers were used to move revenues from the fund that is required to collect them to the fund where expenditures were expended. In addition, the local street fund is allowed under Act 51 to share a portion of its tax revenues with the major street fund.

**LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**VILLAGE OF LAKE ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2008**

**LONG-TERM DEBT (Continued)**

The following is a summary of the outstanding debt of the Village as of February 29, 2008:

	<u>INTEREST RATE</u>	<u>PRINCIPAL MATURES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITION (REDUCTIONS)</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
Other Liabilities						
Equipment Note Payable	4.000%	2010	\$ 35,588	\$ (11,832)	\$ 23,756	\$ 13,475
Compensated Absences			9,471	2,929	12,400	12,400
Capital Improvement Bond	4.500%	2026	132,000	-	132,000	-
MTF Bonds	4.400%	2026	900,000	-	900,000	-
Total Governmental Activities			<u>\$ 1,077,059</u>	<u>\$ (8,903)</u>	<u>\$ 1,068,156</u>	<u>\$ 25,875</u>
<b>Proprietary Activities</b>						
Water Fund						
Water System Imp Bonds	6.125%-9.50%	2008	\$ 70,000	\$ (70,000)	\$ -	\$ -
Equipment Note Payable	4.000%	2010	35,588	(11,831)	23,757	13,475
Capital Improvement Bond	4.500%	2026	418,000	-	418,000	-
Total Business-Type Activities			<u>\$ 523,588</u>	<u>\$ (81,831)</u>	<u>\$ 441,757</u>	<u>\$ 13,475</u>
<b>Component Unit</b>						
DDA						
Phase I Merchant Loan	5.250%	2012	\$ -	\$ 38,990	\$ 38,990	\$ 7,000
Phase II Merchant Loan	5.250%	2012	-	31,968	31,968	8,000
Grant Loan	3.750%	2018	-	121,412	121,412	3,000
Total Component Unit			<u>\$ -</u>	<u>\$ 192,370</u>	<u>\$ 192,370</u>	<u>\$ 18,000</u>

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on notes and long-term bonds outstanding for the primary government are as follows:

<u>Year End Feb 28</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 13,475	\$ 48,606	\$ 13,475	\$ 20,428	\$ 18,000	\$ 7,978
2010	42,779	47,340	21,681	19,496	21,000	7,030
2011	39,800	46,574	15,200	18,673	24,000	5,951
2012	39,800	43,818	15,200	17,989	23,968	4,805
2013	41,000	41,431	19,000	17,162	14,990	3,797
2014 to 2018	247,400	175,513	102,600	72,457	90,412	8,924
2019 to 2023	314,600	111,817	125,400	45,707	-	-
2024 to 2027	316,902	29,824	129,201	11,147	-	-
Total	<u>\$ 1,055,756</u>	<u>\$ 544,923</u>	<u>\$ 441,757</u>	<u>\$ 223,059</u>	<u>\$ 192,370</u>	<u>\$ 38,485</u>

**RETIREMENT SYSTEM**

The Village has a defined contribution pension plan covering substantially all of its general employees. The total pension payments for the year ended February 29, 2008 were \$21,694. Monies are invested in individual annuities in the names of the individuals.

**VILLAGE OF LAKE ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2008**

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**RETIREMENT SYSTEM (Continued)**

Deferred Compensation Plan - The Village offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 401(K). The plan, which is available to all Village employees, permits them to defer a portion on their current salary until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, property and/or rights (until made available to the employee or other beneficiary), are solely the property and rights of the Village (without being restricted to the provision of benefits under the plan), subject only to the claims of the Village's general creditors.

Employee's rights created under the plan are equivalent to those of general creditors of the Village and only in an amount equal to their fair market value on the deferred account maintained with respect to each employee.

In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs. In addition, the Village believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Summary of the activity in the plan for the year ended February 29, 2008 is as follows:

Balance February 28, 2007	\$ 780,823
Contributions-Employer	21,694
Contributions-Employee	35,001
Net Investment Earnings (Losses)	(22,796)
Loan Payments	17,070
Change in Outstanding Loan Balance	20,526
Withdrawals	(62,921)
Administrative Fees	(712)
New Loans Issued	(35,600)
Balance February 29, 2008	<u>\$ 753,085</u>

**RISK MANAGEMENT**

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits thorough a combination of risk management pools and commercial insurance.

The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2008**

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**RISK MANAGEMENT (Continued)**

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member. The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At February 29, 2008, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended February 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 640,968	\$ 640,968	\$ 640,968	\$ -
Resources (Inflows)				
Taxes and Penalties	441,700	441,700	480,719	39,019
Licenses and Permits	8,200	8,200	7,817	(383)
State Grants	241,500	241,500	232,879	(8,621)
Fines and Forfeitures	2,100	2,100	2,574	474
Interest and Rentals	6,500	6,500	25,857	19,357
Other Revenue	<u>53,835</u>	<u>53,835</u>	<u>27,319</u>	<u>(26,516)</u>
Total Resources	<u>753,835</u>	<u>753,835</u>	<u>777,165</u>	<u>23,330</u>
Charges to Appropriations (Outflows)				
Governing Body	28,300	31,030	23,610	7,420
General Government	63,215	65,150	56,500	8,650
Manager	37,597	38,682	34,563	4,119
Finance Director	37,807	38,057	38,072	(15)
Buildings and Grounds	35,275	35,775	37,023	(1,248)
Public Safety				
Police	313,585	314,185	290,295	23,890
Fire	37,000	37,000	36,405	595
Planning and Zoning	15,000	12,900	10,983	1,917
Public Works				
Street Lighting	24,000	24,000	24,223	(223)
Garage and Maintenance	146,931	147,151	145,772	1,379
Less: Reimbursement from				
Other Funds	(75,000)	(75,000)	(112,230)	37,230
Recreational and Cultural				
Parks	38,800	38,700	35,633	3,067
Library	3,000	3,000	3,000	-
Other	13,575	13,950	1,309	12,641
Debt Service				
Principal	13,000	13,000	11,832	1,168
Interest	2,500	2,500	1,136	1,364
Capital Outlay	<u>22,750</u>	<u>15,575</u>	<u>-</u>	<u>15,575</u>
Total Charges to Appropriations	<u>757,335</u>	<u>755,655</u>	<u>638,126</u>	<u>117,529</u>
Excess of Resources Over (Under) Appropriations	<u>(3,500)</u>	<u>(1,820)</u>	<u>139,039</u>	<u>140,859</u>
Budgetary Fund Balance - February 29, 2008	<u>\$ 637,468</u>	<u>\$ 639,148</u>	<u>\$ 780,007</u>	<u>\$ 140,859</u>

**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**  
**For the Year Ended February 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 145,957	\$ 145,957	\$ 145,957	\$ -
Resources (Inflows)				
State Grants	105,000	105,000	122,455	17,455
Interest and Rentals	<u>3,500</u>	<u>3,500</u>	<u>3,499</u>	<u>(1)</u>
Total Resources	<u>108,500</u>	<u>108,500</u>	<u>125,954</u>	<u>17,454</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	14,575	14,575	13,849	726
Street Routine Maintenance	51,275	39,775	40,382	(607)
Street Winter Maintenance	<u>16,400</u>	<u>11,400</u>	<u>36,416</u>	<u>(25,016)</u>
Total Charges to Appropriations	<u>82,250</u>	<u>65,750</u>	<u>90,647</u>	<u>(24,897)</u>
Excess of Resources Over (Under) Appropriations	<u>26,250</u>	<u>42,750</u>	<u>35,307</u>	<u>(7,443)</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(26,250)</u>	<u>(46,250)</u>	<u>(47,355)</u>	<u>(1,105)</u>
Total Other Financing Sources (Uses)	<u>(26,250)</u>	<u>(46,250)</u>	<u>(47,355)</u>	<u>(1,105)</u>
Budgetary Fund Balance - February 29, 2008	<u>\$ 145,957</u>	<u>\$ 142,457</u>	<u>\$ 133,909</u>	<u>\$ (8,548)</u>



**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND**  
**For the Year Ended February 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 35,134	\$ 35,134	\$ 35,134	\$ -
Resources (Inflows)				
State Grants	35,000	35,000	38,999	3,999
Interest and Rentals	<u>500</u>	<u>500</u>	<u>169</u>	<u>(331)</u>
Total Resources	<u>35,500</u>	<u>35,500</u>	<u>39,168</u>	<u>3,668</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	4,400	4,400	4,155	245
Street Routine Maintenance	45,850	65,000	57,763	7,237
Street Winter Maintenance	<u>11,500</u>	<u>11,500</u>	<u>17,529</u>	<u>(6,029)</u>
Total Charges to Appropriations	<u>61,750</u>	<u>80,900</u>	<u>79,447</u>	<u>1,453</u>
Excess of Resources Over (Under) Appropriations	<u>(26,250)</u>	<u>(45,400)</u>	<u>(40,279)</u>	<u>5,121</u>
Other Financing Sources (Uses)				
Operating Transfers In	26,250	46,250	47,355	1,105
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>26,250</u>	<u>46,250</u>	<u>47,355</u>	<u>1,105</u>
Budgetary Fund Balance - February 29, 2008	<u>\$ 35,134</u>	<u>\$ 35,984</u>	<u>\$ 42,210</u>	<u>\$ 6,226</u>

**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - ROAD FUND**  
**For the Year Ended February 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 382,773	\$ 382,773	\$ 382,773	\$ -
Resources (Inflows)				
Taxes and Penalties	187,800	187,800	213,916	26,116
Interest and Rentals	4,000	4,000	9,141	5,141
Other	<u>11,300</u>	<u>11,300</u>	<u>35,925</u>	<u>24,625</u>
Total Resources	<u>203,100</u>	<u>203,100</u>	<u>258,982</u>	<u>55,882</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	35,000	35,000	28,692	6,308
Street Preservation	78,905	236,905	44,762	192,143
Sidewalk Replacement	20,000	20,000	4,776	15,224
Debt Service				
Interest	<u>69,195</u>	<u>69,195</u>	<u>48,159</u>	<u>21,036</u>
Total Charges to Appropriations	<u>203,100</u>	<u>361,100</u>	<u>126,389</u>	<u>234,711</u>
Excess of Resources Over (Under) Appropriations	<u>-</u>	<u>(158,000)</u>	<u>132,593</u>	<u>290,593</u>
Budgetary Fund Balance - February 29, 2008	<u>\$ 382,773</u>	<u>\$ 224,773</u>	<u>\$ 515,366</u>	<u>\$ 290,593</u>

**VILLAGE OF LAKE ODESSA**  
**BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY**  
**February 29, 2008**

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**ASSETS**

Cash and Cash Equivalents	\$ 29,986
Receivables	
Other	<u>70,835</u>
Total Assets	<u>\$ 100,821</u>

**LIABILITIES AND FUND BALANCE**

Liabilities	
Accounts Payable	\$ <u>-</u>
Total Liabilities	<u>-</u>
Fund Balance	
Unreserved - Undesignated	<u>100,821</u>
Total Fund Balance	100,821

**Reconciliation of the DDA Balance Sheet to the Statement of Net Assets:**

Long-Term Liabilities are not due and payable in the current period and are not reported in the funds

Notes Payable	<u>(192,370)</u>
Net Assets of DDA	<u>\$ (91,549)</u>

**VILLAGE OF LAKE ODESSA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY**  
**For the Year Ended February 29, 2008**

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<b>Revenues</b>	
Taxes and Penalties	\$ 10,097
State Grants	196,355
Interest and Rentals	546
Other Revenue	<u>26,545</u>
<b>Total Revenues</b>	<u>233,543</u>
<b>Expenditures</b>	
Construction	268,444
Professional Fees	57,806
<b>Debt Service</b>	
Principal	9,010
Interest	<u>3,615</u>
<b>Total Expenditures</b>	<u>338,875</u>
<b>Excess of Revenues Over (Under)</b>	
<b>Expenditures</b>	(105,332)
<b>Other Financing Sources (Uses)</b>	
Loan Proceeds	<u>201,380</u>
<b>Total Other Financing Sources (Uses)</b>	<u>201,380</u>
<b>Excess of Revenues and Other</b>	
<b>Sources Over (Under) Expenditures</b>	
<b>and Other Uses</b>	96,048
<b>Fund Balance-March 1, 2007</b>	<u>4,773</u>
<b>Fund Balance-February 29, 2008</b>	<u>\$ 100,821</u>
<b>Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of DDA to Statement of Activities:</b>	
<b>Net Change in Fund Balance - DDA</b>	\$ 96,048
Loan Proceeds are revenue in the governmental funds, but not in the statement of activities (where it increases debt)	(201,380)
Repayment of loan principal is an expenditure in the governmental funds, but no in the statement of activities (where it reduces debt)	<u>9,010</u>
<b>Change in Net Assets of Governmental Fund Activities</b>	<u>\$ (96,322)</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Lake Odessa  
Ionia County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lake Odessa, as of and for the year ended February 29, 2008, which collectively comprise Village of Lake Odessa's basic financial statements and have issued our report thereon dated July 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village of Lake Odessa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control. We believe that the following deficiencies constitute material weaknesses.

- The reconciled bank balances are not being balanced with the corresponding general ledger accounts on a monthly basis.
- Individual funds are not being balanced on a monthly basis.
- The Village does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Village contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that required to be reported under *Government Auditing Standards*.

This communication is intended solely for the information and use of management, the board of trustees of Village of Lake Odessa and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
July 22, 2008

Walker, Fiske & Sheldon, PLLC



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July 22, 2008

To the Village Council  
Village of Lake Odessa  
Ionia County, MI

We have recently completed an audit of the financial statements of the Village of Lake Odessa, Ionia County, Michigan for the year ended February 29, 2008. During the course of the audit the following items came to our attention, which require further comment.

**Budgets Should Be Reviewed On A Periodic Basis**

The general appropriations act passed before the beginning of each fiscal year is the legal authority for the Village to spend public moneys. The general appropriations act specifies amounts that may be spent by budget category. The Village does not have legal authority to spend amounts in excess of specific appropriations.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting prior to the fiscal year end and does not require a new public hearing. During the year ended February 29, 2008, the Village's actual expenditures exceeded their appropriations in several categories.

It is recommended that the Village closely monitor the expenditures in relation to amounts appropriated and amend the budget when necessary. In addition, consideration should be taken at year-end for typical audit adjustments and amend the budget accordingly. The approved budget and all amended budgets should become a permanent part of the board minutes.

**Compliance with Bond Covenants**

During the course of the audit, the water bond covenants were examined. It was noted that the Village had not opened the required accounts nor had the transfers required under the bond covenants been made to the proper accounts. This is a repeat comment from the prior year.

According to the water system bond covenants several bank accounts should have been opened at the time the bonds were obtained for the deposit of water utility collections. These covenants require the Village to maintain separate accounts and make quarterly transfers to help ensure that the payment of the bond interest and principal each year can be met.

It is our recommendation that the Village reviews the covenants and opens the required accounts and makes the required transfers to each account according to these new bond covenants.

**Interest Income Should Be Reported in the Appropriate Funds**

During the course of the audit, it was noted interest income on pooled money was not being allocated among the different funds making up the money in a timely fashion.

According to generally accepted accounting principles, local units of government are permitted to combine the cash of several funds into one common cash account. However, the finance director's records must clearly reflect the portion of the interest earned and must be prorated among the participating funds.

It is our recommendation that the Village prorate the interest earned on commingled funds to the respective funds at the time the interest is earned on the accounts.

**General Ledger Disbursement Posting**

During the course of the audit, internal control weaknesses in the expenditure area were noted. Several disbursements were inconsistently posted to the general ledger and coded to incorrect general ledger accounts.

This causes inaccurate interim financial statements, which may cause budgeting problems throughout the year. This is a repeat comment from the prior year.

We recommend that the finance director be given the opportunity to consult with outside professionals on a monthly basis for help with posting of items in question, if needed. This can save the Village costly bookkeeping fees incurred during the audit.

We would like to take this opportunity to thank the Village for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

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To the Village Council  
Village of Lake Odessa  
Ionia County, Michigan

In planning and performing our audit of the financial statements of the Village of Lake Odessa as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Lake Odessa's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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Hastings, MI  
July 22, 2008

*Walker, Fluke & Sheldon, PLC*